Dear Members of the Wisconsin Congressional Delegation:

On behalf of the colleges and universities, students and families of the University of Wisconsin System, we are writing you about proposed tax reform. Attached please find a letter signed by the American Council on Education and sister organizations that reflects many of our concerns about the proposed tax changes and the impact these tax law provision changes will have on the ability of American families to pay educational expenses.

We want to be clear: lower tax rates can put more money into people’s pockets, which can help cover education, retirement, and other necessary expenses. Nonetheless, several potential issues would impact our colleges and universities and, more specifically, our families and students in very significant ways. Those concerns include: 1) consolidation of tax credits for postsecondary expenses, including the repeal of the Lifetime Learning Credit; 2) repeal of the Student Loan Interest Deduction; 3) repeal of the qualified tuition reduction; and 4) the addition of $1.5 trillion to the national debt.

The legislation consolidates three tax credits that taxpayers may claim for credit for postsecondary expenses: the American Opportunity Tax Credit (AOTC), the Lifetime Learning Credit, and the Hope Scholarship Credit. While the bill expands AOTC to include a fifth year of credit, albeit at reduced support, it would, as written, preclude graduate students, part-time students, lifelong learners (particularly those seek retraining) and any student taking longer than five years to finish their education from accessing the AOTC. This could adversely impact their financial ability to pursue a degree or lifelong learning. Indeed, under the changes proposed in the bill, many non-traditional students – the fastest growing segment of students in higher education – would lose significant tax benefits they currently rely upon to help finance their education.

The proposed legislation repeals the current Student Loan Interest Deduction. Under current law, any individual with income up to $80,000 (or $160,000 on a joint return) repaying student loans can deduct up to $2,500 in student loan interest paid. In 2014, 12.4 million people claimed the deduction. Eliminating this provision would mean the cost of student loans for borrowers would increase by roughly $24 billion over the next decade.
The proposed legislation would repeal an existing provision that reduces the cost of graduate education and mitigates the tax liability of graduate students who are filling essential teaching and research roles as part of their academic programs. Roughly 145,000 graduate students nationwide received a tuition reduction in 2011-12. Repeal of this provision would result in thousands of graduate students being subjected to a major tax increase. Eliminating this provision would drastically burden graduate students at UW-Madison and UW-Milwaukee and other prominent research universities throughout the country, ultimately harming our nation’s scientific enterprise.

Federal Social Security and Medicare programs, which together consume over 40% of the U.S. budget, are expected to grow substantially – in excess of gross domestic product – through the mid-2030s. If the federal budget continues to balloon and federal discretionary spending continues to be squeezed, it will prove very costly over time to higher education and other important national priorities. Nearly all federal support for higher education comes from discretionary spending, including funding for federal student aid (except student loans) and research and development. Wisconsin and our nation cannot afford further cuts to our education budgets or cuts to investments in research and technology for long-term economic health and growth.

In closing, several proposals included in the House tax plan have the potential to negatively affect higher education in Wisconsin and throughout the United States. We thank you for your consideration of these comments as you weigh and balance your decision about the legislation. We look forward to working with the Wisconsin congressional delegation as the legislation moves forward.

Respectfully,

Raymond W. Cross
UW System President